netel group

YEAR-END REPORT 2022

Q4

Growth of 37.2 per cent in the quarter and record high order backlog

Fourth quarter

- Net sales rose 37.2 per cent to MSEK 984 (717), of which organic growth was 12.6 per cent.
- Adjusted EBITA increased to MSEK 75 (66) and the adjusted EBITA margin amounted to 7.6 per cent (9.2).
- EBITA increased to MSEK 69 (37) and the EBITA margin rose to 7.0 per cent (5.1).
- Operating profit (EBIT) increased to MSEK 68 (36) and the operating margin rose to 6.9 per cent (5.0).
- Profit for the period increased 434.9 per cent to MSEK 48 (9).
- Earnings per share before and after dilution rose 400.0 per cent to SEK 1.00 (0.20).
- Cash flow from operating activities amounted to MSEK 41 (160).

January–December

- Net sales rose 29.9 per cent to MSEK 3,141 (2,418), of which organic growth was 7.5 per cent
- Adjusted EBITA increased to MSEK 200 (177) and the adjusted EBITA margin amounted to 6.4 per cent (7.3).
- EBITA increased to MSEK 179 (127) and the EBITA margin rose to 5.7 per cent (5.2).
- Operating profit (EBIT) increased to MSEK 176 (126) and the operating margin rose to 5.6 per cent (5.2)
- Profit for the period increased 86.3 per cent to MSEK 123 (66).
- Earnings per share before and after dilution rose 38.5 per cent to SEK 2.59 (1.87).
- Cash flow from operating activities amounted to MSEK -72 (114)
- Net debt amounted to MSEK 722 (318) and net debt/adjusted EBITDA R12M to 2.8 (1.4)
- The order backlog increased to MSEK 3,700 (3,488)
- The Board proposes that no dividend be paid to shareholders for 2022 so as to continue creating scope for value-adding acquisitions in line with Netel's strategy.

Significant events during and after the fourth quarter

- The acquisition of Elektrotjänst i Katrineholm expanded Netel's power business to railways, underground rail and defence
- Several large orders for fibre networks, power projects, 5G expansion and service in Norway, the UK and Germany
- Stefan Ljunglin appointed new Country Manager for Finland
- Netel joins Science Based Target initiative to combat climate change

SEK millions	Oct-Dec		Jan-Dec	
	2022	2021	2022	2021
Net sales	984	717	3,141	2,418
Net sales growth (%)	37.2%	24.6%	29.9%	31.1%
Adjusted EBITA	75	66	200	177
Adjusted EBITA margin (%)	7.6%	9.2%	6.4%	7.3%
EBITA	69	37	179	127
EBITA margin (%)	7.0%	5.1%	5.7%	5.2%
EBIT	68	36	176	126
EBIT margin (%)	6.9%	5.0%	5.6%	5.2%
Net debt	722	318	722	318
Net debt/Adjusted EBITDA R12 (Ratio)	2.8	1.4	2.8	1.4

Adjusted EBITA was adjusted for acquisition costs and other costs in Q4 2022. In 2021, adjustments were made for acquisition costs, costs related to listing and other costs.

CEO's comments

Record-high sales and order backlog

We ended the year with record-high sales and order backlog. Sales grew 37.2 per cent in the quarter to MSEK 984, due to our acquisitions in the UK and Sweden as well as favourable organic growth in all countries. We started 2023 with the strategic acquisition of Elektrotjänst i Katrineholm, which expands our operations in Sweden to railways, underground rail and defence.

Organic growth of 12.6 per cent for the quarter reflects the overall good situation in our markets. Acquisitions and positive exchange rate effects contributed a total of 24.6 per cent to growth for the quarter. We began 2023 with our highest order backlog ever – SEK 3.7 billion – which also reflects the good market situation. In addition, we have in recent months announced several new significant contracts with existing as well as new customers.

Adjusted EBITA increased 13.6 per cent to MSEK 75 with an adjusted EBITA margin of 7.6 per cent for the quarter. We have partially compensated for increased material prices, but also during the fourth quarter profitability was affected by the fact that we were not able to compensate for prices in individual projects, above all in Norway but also in Finland. During the quarter, profitability was also affected by the transition to the large, relatively new, telecom service agreements in Norway. We are implementing measures to reach our profitability targets in these service contracts with our major Norwegian telecom customers.

Cash flow from operating activities amounted to MSEK 41 (160) for the quarter and were also affected by the high level of production, which increased tied-up capital. We are implementing measures to reduce tied-up capital, but expect that it may take some time before we see the full effects.

Strong performance for Fixed and Power

Sales for the Fixed Networks business area grew 49.9 per cent in the quarter to MSEK 583 (389), due to acquisitions in the UK and Sweden as well as good organic growth in Norway and Germany. Acquisitions in Sweden in the new area district heating, water and sewage performed well in the quarter and during the year. Our acquisitions in the UK also performed as expected after the consolidation in the second half of the year.

In the Power business area, net sales grew 30.4 per cent to MSEK 279 (214), mainly due to high production rates in Norway and Sweden. In Norway we completed during the quarter, among other things, the important project of securing the power supply to Europe's first electrically powered plasterboard factory. We are also proud that, among other things, we have been trusted to modernise transformer stations for E.ON in Sweden.

Sales grew 15.2 per cent in the Mobile business area to MSEK 121 (105), driven by the continued rapid pace of 5G expansion and the dismantling of 3G installations in Sweden. We recently announced a new contract with the telecom operator Ice, which is building its own, new network in Norway.

New attractive customer segments

I would like welcome everyone at Elektrotjänst i Katrineholm to Netel. With the acquisition of Elektrotjänst, we have taken a step into new, attractive customer segments for power projects in applications like railway, underground rail and defence. These are segments that we have long wanted to enter, since we see many growth opportunities here as well. Market data shows that within these segments there is a growing and increasingly urgent need for modernisation and expansion.

In 2022 we carried out seven acquisitions with total annual sales of approximately SEK 0.5 billion at the time of the acquisitions. We are continuing our focused acquisition strategy to expand in existing customer segments and countries or to enter new countries and markets.

We are combating climate change

In January 2023, Netel joined the Science Based Target initiative to help combat climate change. By setting science-based climate targets, we ensure that Netel can continue its journey of growth while helping reduce emissions. Science-based targets are an important step in our climate work and a part of future-proofing the operations.

Change in the management team

I would like to welcome Stefan Ljunglin to Netel's management team and as new Country Manager for Netel in Finland. Stefan joined Netel in 2014 and has over twenty years of international experience in telecom and the power industry. At the same time, I would like to thank his predecessor, Ari Asikainen, for his commitment and initiatives during his ten years as Country Manager for Finland.

This year we grew by over 20 per cent in terms of employees and at the end of the year we had over 800 "Netellers" in Northern Europe. I would also to express my sincere thanks to all our employees for your sustained and professional work in 2022.

Outlook

When we summarise 2022, we can note othat we are growing both organically and through acquisitions. However, for the individual year 2022, we did not succeed in reaching the profitability target, mainly as a result of the Finnish operations not receiving price compensation in the projects that started later in the year and the transition to the relatively new major telecom service agreements in Norway. It is gratifying to see that the operations in Sweden, Germany and the UK achieved strong results during the year. Although external factors such as large global cost increases and delays in supply chains kept margins down, we also have several ongoing initiatives with the potential to strengthen the margin. With the deals we won in 2022 and so far in 2023, we have a record high order backlog.

In 2022, we delivered on our growth strategy and strengthened our position as a leading specialist in critical infrastructures in Northern Europe. We are active in markets that are driven by strong megatrends such as the electrification of society, digitalisation and the need to modernise antiquated infrastructure for heating, water and sewage. This makes me look with confidence in Netel's ability to continue generate long-term profitable growth.

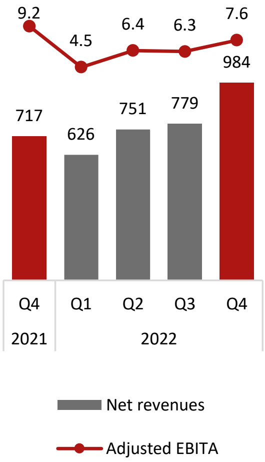
Ove Bergkvist
President and CEO

Condensed consolidated financial performance

Fourth quarter

Net sales

Net sales
and adjusted EBITA margin



Net sales grew 37.2 per cent in the fourth quarter to MSEK 984 (717), due to acquisitions in the UK and Sweden as well as good organic growth in all segments. Organic growth amounted to 12.6 per cent and acquisitions and positive exchange rate effects contributed 24.6 per cent.

Order intake was strong in the fourth quarter and the order backlog increased MSEK 400 during the period to a record-high MSEK 3,700.

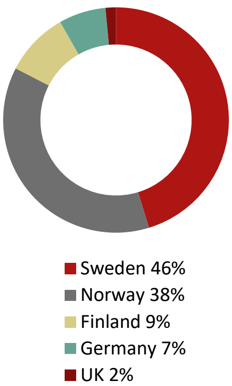
Earnings

Adjusted EBITDA increased 9.5 per cent to MSEK 92 (84) for the quarter with an adjusted EBITDA margin of 9.3 per cent (11.7). Adjusted EBITA increased 13.6 per cent to MSEK 75 (66) with an adjusted EBITA margin of 7.6 per cent (9.2). Profitability was negatively affected by the fact that price compensation was not issued for individual projects in Finland and Norway, as well as the late start-up in spring 2022 of excavation-intensive power projects in Finland. The transition to the larger relatively new telecom service agreements in Norway also had a negative impact on profitability in the quarter. Adjusted EBITDA and adjusted EBITA are calculated excluding items affecting comparability in the quarter of MSEK 6 (29). The amount for items affecting comparability was evenly distributed between costs for acquisitions and other items affecting comparability during the quarter. During 2021, costs for the listing on Nasdaq Stockholm were also included, which amounted to MSEK 27 in the fourth quarter.

EBITDA increased 57.4 per cent to MSEK 85 (54) and the EBITDA margin rose to 8.7 per cent (7.6). EBITA increased 86.5 per cent to MSEK 69 (37), with an EBITA margin of 7.0 per cent (5.1).

Depreciation/amortisation and impairment amounted to MSEK -18 (-19).

Net sales by segment



Net financial items amounted to MSEK -7 (-13) for the quarter. Interest expenses amounted to MSEK -11 (-9), of which MSEK -1 (-1) was attributable to lease liabilities related to IFRS 16.

Profit before tax increased 165 per cent to MSEK 61 (23) in the quarter.

Profit after tax increased 435 per cent to MSEK 48 (9). Tax amounted to MSEK -13 (-14), corresponding to an effective tax rate of 21.2 per cent (60.6).

Cash flow and financial position

Cash flow from operating activities amounted to MSEK 41 (160). Cash flow was impacted by a high level of production.

Cash flow from investing activities amounted to MSEK -39 (-26) for the quarter, mainly attributable to acquisitions. The item Acquisitions of non-current assets includes MSEK -2 (-14) for non-recurring investments in systems for executing the long-term and extensive framework agreements with Telia and Telenor in Norway.

Cash flow from financing activities amounted to MSEK 196 (57), primarily from a new utilised credit facility and borrowings in conjunction with completed acquisitions.

Cash flow for the period was MSEK 198 (191).

Cash and cash equivalents at the end of the period amounted to MSEK 369 compared with MSEK 170 at the beginning of the quarter. Unutilised credit facilities totalled MSEK 295 compared with MSEK 271 at the start of the period, which, together with cash and cash equivalents, means a total of SEK 664 million in available funds compared to SEK 441 million at the beginning of the period.

Net debt, which is defined as current and non-current interest-bearing liabilities to credit institutions less cash and cash equivalents and current investments, amounted to MSEK 722 at the end of the quarter, compared with MSEK 692 at the start of the quarter. This corresponds to net debt in relation to adjusted EBITDA R12M of a multiple of 2.8. The leverage ratio calculated in accordance with the Group's financial target amounted to a multiple of 2.4 at the end of the period, which is below the capital structure target for the medium term.

Other current and non-current interest-bearing liabilities primarily comprise bank financing and lease liabilities. These commitments amounted to MSEK 1,090 at the end of the quarter, compared with MSEK 862 at the start of the quarter. The increase was mainly attributable to a new utilised credit facility and acquisitions.

Total assets amounted to MSEK 3,119 compared with MSEK 2,681 the start of the quarter and equity to MSEK 1,106 compared with MSEK 1,048 at the beginning of the quarter.

January–December

Net sales

Net sales rose 29.9 per cent to MSEK 3,141 (2,418) during 2022, primarily due to acquisitions and good organic growth in all segments. Organic growth amounted to 7.5 per cent and acquisitions and positive exchange rate effects contributed 22.4 per cent.

Order intake was good during the year and the order backlog increased to MSEK 3,700 (3,488).

Earnings

Adjusted EBITDA increased 19.1 per cent to MSEK 262 (220) for the year with an adjusted EBITDA margin of 8.3 per cent (9.1). Adjusted EBITA increased 13.0 per cent to MSEK 200 (177) with an adjusted EBITA margin of 6.4 per cent (7.3). Profitability was negatively affected mainly by the fact that price compensation was not issued for individual projects in Finland and Norway and the late start-up in spring 2022 of excavation-intensive power projects in Finland. The transition to larger telecom service agreements in Norway also negatively affected profitability for 2022. Adjusted EBITDA and adjusted EBITA are calculated excluding items affecting comparability of MSEK 21 (50). In 2022, items affecting comparability pertained primarily to costs for acquisitions. Costs for listing on Nasdaq Stockholm totalled MSEK 37 for 2021.

EBITDA increased 41.8 per cent to MSEK 241 (170) and the EBITDA margin rose to 7.7 per cent (7.0). EBITA increased 40.9 per cent to MSEK 179 (127) and the EBITA margin rose to 5.7 per cent (5.2).

Depreciation/amortisation and impairment amounted to MSEK -65 (-44).

Net financial items for the year amounted to MSEK -15 (-25). Interest expenses amounted to MSEK -27 (-27), of which MSEK -4 (-3) was attributable to lease liabilities.

Profit before tax increased 61 per cent to MSEK 161 (100) in 2022.

Profit after tax increased 86.4 per cent to MSEK 123 (66). Tax amounted to MSEK -38 (-34), corresponding to an effective tax rate of 23.5 per cent (33.9).

Cash flow

Cash flow from operating activities amounted to MSEK -72 (114) in 2022. Cash flow from operating activities was primarily affected by a high level of production.

Cash flow from investing activities amounted to MSEK -238 (-181) for the year, mainly attributable to acquisitions. Seven acquisitions were carried out in 2022 with total annual sales of MSEK 497 at the time of the acquisitions.

The item Acquisitions of non-current assets includes MSEK -7 (-14) for non-recurring investments in systems for executing the long-term and extensive framework agreements with Telia and Telenor in Norway.

Cash flow from financing activities amounted to MSEK 402 (244), primarily due to a new utilised credit facility and borrowings in conjunction with completed acquisitions.

Cash flow for the year amounted to MSEK 91 (177).

Segments

Following the expansion to the UK, Netel has chosen to recognise the UK as a segment from the third quarter of 2022.

Sweden

Net sales grew 53.4 per cent to MSEK 481 (313) in the quarter due to organic growth in Mobile and Power as well as the acquisitions in Power and Infraservice, meaning district heating, water and sewage. During the year, sales rose 47.7 per cent to MSEK 1,433 (970), driven by growth in Power, Mobile and acquisitions.

In Fixed networks, Infraservice grew in the quarter, mainly due to healthy demand from municipal clients. The performance of Infraservice compensates well for the expected weaker market in fixed telecom networks.

Power grew in the quarter as the result of strong demand for transformer station construction. In January 2023, Netel announced that the subsidiary SEKE had received a contract to build four new transformer stations for E.ON in Sweden. The total order value is MSEK 93 and the stations will be completed in 2024. With the acquisition of Elektrotjänst i Katrineholm in January 2023, Netel expands its Swedish power operations into the attractive markets for railway, underground rail and defence.

Mobile grew in the quarter, driven by the continued rapid pace of 5G expansion and the dismantling of 3G installations.

EBITA increased 57.6 per cent to MSEK 52 (33), with an EBITA margin of 10.8 per cent (10.8) during the fourth quarter. EBITA increased 95.0 per cent to MSEK 117 (60), with an improved EBITA margin of 8.2 per cent (6.2) during the year.

Norway

Net sales rose 12.2 per cent to MSEK 327 (292) in the quarter with good growth in Fixed networks and Power. During the year, sales rose 12.6 per cent to MSEK 1,179 (1,048), also driven by growth in Fixed networks and Power.

Fixed networks performed well during the quarter, mainly driven by larger service contracts with Telia and Telenor. We continue to take steps to achieve the profitability targets of these relatively new contracts. A two-year contract was signed with Telenor during the quarter for developing fibre to the home facilities for a total contract value of approximately MNOK 200. In February 2023, a three-year framework agreement was announced with Viken Fiber for construction and maintenance with the option to renew for an additional two years. The contract is valued at MNOK 50 to 60 annually.

The production rate was high in Power during the quarter and Netel's company Nett-Tjenester completed, among all, a project to supply power to Europe's first electrically powered plasterboard factory.

In Mobile, performance also in the fourth quarter was impacted by lower 5G volumes in framework agreements that will soon expire. In February 2023, Netel signed an agreement with the mobile operator Ice for an upgrade of its existing base stations and the construction of new ones. Netel is one of four contractors sharing a total contract sum of approximately NOK 1.5 billion in the next few years.

EBITA amounted to MSEK 12 (47), with an EBITA margin of 3.7 per cent (16.2) for the fourth quarter. EBITA amounted to MSEK 60 (98), with an EBITA margin of 5.1 per cent (9.4) for the year. Profitability for the quarter, and the year, was mainly negatively impacted by some projects in Power with lower margins than expected partly due to higher material prices as well as the transition to the larger telecom service agreements.

Finland

Net sales rose 20.1 per cent to MSEK 89 (74) in the quarter with favourable growth in Fixed networks and Power. During the year, sales rose 7.8 per cent to MSEK 291 (270), primarily driven by growth in Fixed networks.

During the quarter and year, Fixed networks has grown markedly from low volumes as a result of the expansion of the fibre networks. The market is positively impacted by new fixed-network operators establishing themselves with the ambition to increase the pace of expansion. During the quarter, Netel announced a four-year turnkey construction contract for a fibre network with Valoo Täyskuitu for approximately MEUR 40.

In Power, sales were positively impacted also during this quarter by the heavy excavation power-cable projects that were originally scheduled to start in the beginning of the year reaching full capacity in the second half of the year. The underlying market is good, driven by the need to increase access to renewable energy sources such as wind power.

Sales in Mobile were negatively impacted in the fourth quarter by lower volumes at a customer.

EBITA amounted to MSEK -6 (2), with an EBITA margin of -6.7 per cent (2.7) for the fourth quarter. EBITA amounted to MSEK -12 (5), with an EBITA margin of -4.1 per cent (1.8) for the year. Profitability for the year was impacted by the postponed heavy excavation power-cable projects in the beginning of the year and by compensation for material price hikes in specific projects not being realised to a sufficient extent during the year.

Germany

Net sales rose 25.5 per cent to MSEK 66 (53) in the quarter. During the year, sales rose 46.6 per cent to MSEK 213 (145). The strong performance in Germany is due to the large national need to modernise and expand the fixed networks. Sales in the quarter were negatively impacted by the commencement of certain projects being delayed due to a high workload and personnel shortages with customers. As a result of efforts to expand the customer base, a turnkey construction contract for a fibre network was signed in January 2023 with a new major broadband operator. At the same time, contracted volumes with an existing customer were expanded in February 2023.

EBITA amounted to MSEK 8 (10), with an EBITA margin of 12.1 per cent (19.3) for the fourth quarter. EBITA increased 33.3 per cent to MSEK 24 (18), with an EBITA margin of 11.3 per cent (12.4) during the year. Profitability in the quarter was affected by delayed starts for some projects.

UK

The UK is recognised as an operating segment from the third quarter of 2022 and consists of the companies Border Civils & Utilities Ltd and Doocey North East Ltd. The companies were consolidated from July 2022 and August 2022 respectively.

Net sales amounted to MSEK 23 in the quarter with a favourable performance in the companies' main area of operation Fixed networks. EBITA amounted to MSEK 1, with an EBITA margin of 4.4 per cent in the quarter. Sales amounted to MSEK 47, with an EBITA of MSEK 6 and an EBITA margin of 12.8 per cent for the year. Profitability for the quarter was impacted by a shift in the customer portfolio. In January 2023, a major order was announced with the new customer GoFibre which includes the installation of fibre networks in northern England and the Scottish borders. The three-year agreement has an initial value of MGBP 10.

Acquisitions

Seven acquisitions were carried out in 2022 with total annual sales of MSEK 497 at the time of the acquisitions.

Fourth quarter

Bredbyns Schakt AB in Örnsköldsvik was consolidated as of November 2022. The acquisition means that Netel is continuing to expand its operations both geographically and operationally. The company's primary operations are water and sewage, power and district heating. Bredbyns' net sales in 2021 amounted to approximately MSEK 57. The company has 27 employees and a strong order backlog for the years ahead. Bredbyns has historically had a higher EBITA margin than the Netel Group. The acquisition was for all shares. The consideration was paid in cash and through an offset issue of 186,237 shares in Netel Holding. Bredbyns is included in the Sweden segment, Fixed Networks business area.

Third quarter

The UK company Border Civils & Utilities Ltd. was consolidated from July 2022. The acquisition meant that Netel broadened its geographic presence by entering the growing UK infrastructure market. Border's primary operations are within fibre and the company is also active in water and sewage as well as gas. Net sales in 2021 amounted MSEK 36. The company has 50 employees and a strong order backlog for the years ahead. Border has historically had a higher EBITA margin than the Netel Group. The acquisition was for all shares. The consideration was paid in cash and through an offset issue on 8 July 2022 of 293,365 shares in Netel Holding. The company is part of the new UK segment.

Consolidation of the UK company Doocey North East Ltd took place from August 2022. The transaction meant that Netel is rapidly continuing its expansion in the growing UK fibre market. Doocey's main business is civil engineering work within fibre. Net sales amounted to about MSEK 82 in 2020/21. The company has 15 employees and a strong order backlog for the years ahead. Doocey has historically had a higher EBITA margin than the Netel Group. The acquisition was for all shares. The consideration was paid in cash on 17 August and through an offset issue of 90,364 shares in Netel Holding. The company is part of the new UK segment.

Second quarter

Karlskoga Mark AB (KMAB) was consolidated from May 2022. The transaction means that Netel is strengthening its business in water and sewage, district heating and associated civil engineering works as well as broadening its geographic presence in Sweden. KMAB had sales of approximately MSEK 63 in 2021 with twelve employees. KMAB had a higher EBITA margin in 2021 than the Netel Group. The acquisition was for all shares. The consideration was paid in cash and through an offset issue on 6 May 2022 of 141,552 shares in Netel Holding.

First quarter

JR Markteknik AB and Täby Maskin & Uthyrning AB were consolidated from January 2022. The acquisitions represent a key building block in Netel's investment in the field of water and sewage, pipe laying and associated civil engineering works. The companies' total sales in 2021 amounted to MSEK 212 with total EBIT of MSEK 21. The companies' combined number of employees was 50. The acquisitions were for all shares. The consideration was paid in cash and through an offset issue of 637,852 shares in Netel Holding on 5 January 2022.

Elcenter i Söderköping Aktiebolag was consolidated from March 2022, which strengthens Netel's offering in power, including road lighting, solar cells and charging infrastructure. The company's sales in 2020/2021 (split financial year) amounted to approximately MSEK 30 with good profitability and a higher EBITA margin than the Netel Group in 2021. Elcenter i Söderköping has 13 employees. The acquisition was for all shares. The consideration was paid in cash on 11 March 2022 and through an offset issue of 65,775 shares in Netel Holding.

Eltek Entreprenad Sverige AB was consolidated from March 2022, which broadens Netel's offering within power with diversified services for handling higher voltages of up to 400 KV for transformer stations, for example. The company's sales in 2021 amounted to approximately MSEK 37 with good profitability and a higher EBITA margin than the Netel Group in 2021. Eltek Entreprenad Sverige has 13 employees. The acquisition was for all shares. The consideration was paid in cash on 10 March 2022 and through an offset issue of 89,763 shares in Netel Holding.

The offset issue was carried out based on the authorisation from the Extraordinary General Meeting on 27 August 2021 and the 2022 Annual General Meeting.

Other information

Significant events after the end of the reporting period

Stefan Ljunglin was appointed new Country Manager for Netel in Finland CEO of Netel OY, starting 1 February 2023. He is also a member of Group management.

Elektrotjänst i Katrineholm was consolidated as of February 2023. The acquisition means that Netel is entering a new, attractive customer segment and expanding its geographic presence within Power. The company's primary operations are power projects for railway, underground rail and defence. The acquired operations had sales of approximately MSEK 69 for the September 2021 – August 2022 financial year. The company has 34 employees and a strong order backlog for the years ahead. Elektrotjänst has historically had a higher EBITA margin than the Netel Group. The acquisition was for all shares. The consideration was paid in cash and through an offset issue of 303,294 shares in Netel Holding. Elektrotjänst is included in the Sweden segment, Power business area.

Employees

The number of employees at the end of the year was 809 (658). The average number of employees for the year was 776 (576). The increase was mainly attributable to acquisitions.

Financial targets

Revenue growth
Annual growth objective of 10 per cent, including inorganic growth.

Margin target
Adjusted EBITA margin above 7 per cent in the medium term.

Capital structure

Net debt (excluding lease liabilities) in relation to adjusted EBITDA R12M of a multiple below 2.5. The leverage ratio can temporarily be exceeded in connection with acquisitions.

Dividend policy

Pay-out ratio of 40 per cent of the Group's net profit, considering other factors such as acquisition opportunities, financial position, cash flow and organic growth opportunities.

Dividend for the 2022 financial year

The Board proposes to the Annual General Meeting that no dividend be paid to shareholders for the 2022 financial year so as to create scope for additional value-adding acquisitions, which is in line with Netel's strategy.

Parent Company

The Parent Company's net sales amounted to MSEK 5 (10) for the quarter and MSEK 20 (10) for 2022. The Parent Company was charged with personnel costs and certain financial expenses.

Risks and uncertainties

There are several strategic, operational and financial risks and uncertainties that could impact the Group's financial results and position. Most of these can be managed by internal procedures, although some are governed by external factors to a greater extent. Risks and uncertainties are related to IT and control systems, suppliers, disputes related to projects, seasonal and weather variations and currencies, but could also arise in the event of new competition, changed market conditions and macroeconomic factors or changed customer behaviour. Interest rate risk also exists for the Group. A weaker macroeconomic situation, higher interest rates and inflation pressure could have a negative impact on demand from customers and entail project delays. Netel cannot currently assess the scope of any potential recession, the level of inflation or expected interest rates. It is thus also difficult to assess the effects on the Group's operations. Netel's business model is based on a low level of the Group's assets being tied up in own operations, for example, in machines, which makes the Group more financially agile during recessions. During 2022, the Group experienced delays in some projects due to material delays, which were in turn due to interruptions in global supply chains. Netel is monitoring trends in global supply chains and managing risks for delays in projects by, for example, shifting resources between projects. The Netel Group is also affected by weather factors. An early or late winter with lower temperatures has a negative impact on excavation projects, while autumn storms can lead to more assignments to secure power lines. For a more detailed description of the risks and uncertainties for the Group and the Parent Company, refer to the 2021 Annual Report.

Netel works to monitor and continuously evaluate sustainability-related risks and their impact on the group's operations and results. As part of this management, group management has begun the work of monitoring and evaluating the group's climate impact and how the group is affected by climate-related risks. Group management also follows up the subsidiaries' compliance with, for example, the code of conduct, occupational injuries and legal disputes.

Netel is monitoring developments regarding the war in Ukraine and is currently unable to assess the effects of sanctions against Russia and the consequences that the war could have on the economic situation in Netel's markets. Netel did not have any sales, direct expenses or purchases to or from Russia or Ukraine in 2022 or 2021. The war in Ukraine and continued increases in commodity prices mean that Netel is working even more intensively on price compensation to match the timing of higher costs with revenue. The uncertainty in the world also entails a risk that customers will temporarily wait with placing orders and starting projects.

Legal disputes

Netel AB currently has a dispute with a large Swedish provider of fibre data communication and data centre. For further information, refer to the prospectus that was prepared in connection with the listing of Netel Holding AB on Nasdaq Stockholm on 15 October 2021.

2023 Annual General Meeting

The 2023 Annual General Meeting will be held on 4 May at 10:30 a.m. CEST in Sibeliussalen at Finlandshuset, Snickarbacken 4, Stockholm. Shareholders who wish to have a matter brought before the AGM may submit a proposal to Netel's Chairman of the Board by e-mailing ir@netelgroup.com or writing to Netel Holding AB, Att: Årsstämma 2023, Fågelviksvägen 9, 7 tr SE-145 84 Stockholm, Sweden To be assured of the proposal reaching the notice and therefore the agenda of the AGM, the proposal must have reached the company by 16 March 2023 at the latest.

The share

Netel Holding AB (publ) was listed on Nasdaq Stockholm on 15 October 2021 under the ticker NETEL with the ISIN SE0015949433. The share price as of the listing on 15 October 2021 was SEK 48. The closing price on the final day of trading in December was SEK 34.00. The highest price paid in the fourth quarter was SEK 37.00 and the lowest price paid was SEK 28.50. 435,763 shares were traded on Nasdaq Stockholm during the quarter.

On 31 December 2022, Netel Holding AB (publ) had 1,655 shareholders. The five largest shareholders were IK VII fund via Cinnamon International S.à.r.l (48.04 per cent), Nordnet Pensionsförsäkring (7.25 per cent), Swedbank Robur Fonder (4.29 per cent), AP2 (4.29 per cent) and Carnegie Fonder (4.16 per cent).

There were a total of 48,208,579 shares and votes in Netel on 31 December 2022. All shares are ordinary shares.

Financial statements

Condensed consolidated statement of profit or loss

SEK millions	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Operating income				
Net sales	984	717	3,141	2,418
Other operating income	14	2	25	3
Total revenue	**998**	**719**	**3,166**	**2,420**
Operating expenses				
Material and purchased services	-618	-451	-1,981	-1,558
Other external expenses	-105	-38	-291	-196
Personnel costs	-190	-176	-653	-496
Depreciation and amortisation	-18	-19	-65	-44
Operating profit/loss (EBIT)	**68**	**36**	**176**	**126**
Profit/loss from financial items				
Net financial items	-7	-13	-15	-25
Earnings before tax	**61**	**23**	**161**	**100**
Taxes	-13	-14	-38	-34
Earnings for the period	**48**	**9**	**123**	**66**
Earnings for the period is attributable to				
Parent company's shareholders	48	9	123	66
Non-controlling interests	-	-	-	-
Earnings per share				
Earnings per share before and after diltution (SEK)*	1.00	0.20	2.59	1.87
Average number of shares before and after dilution (thousands)*	48,077	44,542	47,726	35,535

*Netel Holding AB (publ) was registered with the Swedish Companies Registration Office on 15 July 2021 and became the new Parent Company of the Netel Group on the basis of an issue in kind on 20 August 2021. Accordingly, the Parent Company did not have any ordinary shares outstanding during the historical comparative periods. From the Parent Company registration date until 20 August 2021 there were 500,000 ordinary shares, and the number of ordinary shares increased to 500,002 in connection with the issue in kind. At the end of the third quarter of 2021, a non-controlling interest amounting to approximately 5 per cent of the capital remained in the Group due to this transaction. A decision was made on 27 August 2021 to carry out a share split in Netel Holding AB (publ), which entailed that the number of ordinary shares outstanding increased to 32,500,130. In order to calculate earnings per share for the comparative periods, Netel has used the number of ordinary shares that existed when the company was formed, retroactively adjusted for the share split, from the beginning of each period so that the measure is comparable with the current period.

In connection with the Group’s listing on the stock exchange on 15 October 2021, a share exchange took place on the basis of an issue in kind, whereby the non-controlling interest exchanged its shares for newly issued ordinary shares in Netel Holding AB (publ), after which no non-controlling interest exists in the Group since the end of the fourth quarter of 2021. A new share issue was also carried out in connection with the listing of the Group, which together with the issue in kind increased the number of ordinary shares outstanding to 46,703,671. Seven offset issues were carried out in the year in connection with announced acquisitions, one of which was in the fourth quarter. The number of ordinary shares outstanding increased by 1,504,908 during the year, of which 186,237 in the fourth quarter, to 48,208,579 at the end of the period.

Condensed consolidated statement of comprehensive income

	Oct-Dec		Jan-Dec	
SEK millions	**2022**	**2021**	**2022**	**2021**
Earnings for the period	48	9	123	66
Other comprehensive income				
Translation differences for the period	3	11	5	11
Other comprehensive income for the period	**3**	**11**	**5**	**11**
Comprehensive income for the period	**51**	**20**	**129**	**78**
Comprehensive income for the period is attributable to				
Parent company's shareholders	51	20	129	78
Non-controlling interests	-	-	-	-

Condensed consolidated statement of financial position

SEK millions	31 Dec 2022	31 Dec 2021
ASSETS		
Non-current assets		
Goodwill	1,179	810
Intangible assets	199	193
Property, plant and equipment	187	125
Financial non-current assets	9	7
Deferred tax assets	10	14
Total non-current assets	**1,585**	**1,149**
Current assets		
Inventories	8	8
Current receivables	1,157	705
Cash and cash equivalents	369	271
Total current assets	**1,534**	**984**
Total assets	**3,119**	**2,133**
EQUITY AND LIABILITIES		
Equity		
Equity attributable to the parent company's shareholders	1,105	911
Equity attributable to non-controlling interests	-	-
Total equity	**1,105**	**911**
Non-current interest-bearing liabilities	1,037	554
Non-current non-interest-bearing liabilities	246	101
Total non-current liabilities	**1,283**	**655**
Current interest-bearing liabilities	53	35
Current non-interest-bearing liabilities	677	531
Total current liabilities	**731**	**566**
Total equity and liabilities	**3,119**	**2,133**

Condensed consolidated statement of changes in equity

SEK thousands	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit/loss for the period	Total equity attributable to the parent company's shareholders	Non-controlling interest	Total equity
	Equity attributable to the parent company's shareholders						
Opening equity 1 Jan 2021	**576**	**582,501**	**-7,362**	**27,553**	**603,268**	**-**	**603,268**
Profit/loss for the period	-	-	-	66,274	66,274	-	66,274
Other comprehensive income	-	-	11,474	-	11,474	-	11,474
Comprehensive income for the period	**-**	**-**	**11,474**	**66,274**	**77,748**	**-**	**77,748**
Transactions with Group owners							
Completed issues	112	237,388	-	-7,321	230,179	-	230,179
Effects of Group restructuring*	31	575,804	-4,517	-571,318	-	-	-
Total	**143**	**813,192**	**-4,517**	**-578,639**	**230,179**	**-**	**230,179**
Closing equity 31 Dec 2021	**719**	**1,395,693**	**-405**	**-484,812**	**911,195**	**-**	**911,195**
Opening equity 1 Jan 2022	**719**	**1,395,693**	**-405**	**-484,812**	**911,195**	**-**	**911,195**
Profit/loss for the period	-	-	-	123,470	123,470	-	123,470
Other comprehensive income	-	-	5,142	-	5,142	-	5,142
Comprehensive income for the period	**-**	**-**	**5,142**	**123,470**	**128,612**	**-**	**128,612**
Transactions with Group owners							
Completed issues	23	65,122	-	-	65,145	-	65,145
Total	**23**	**65,122**	**-**	**-**	**65,145**	**-**	**65,145**
Closing equity 31 Dec 2022	**742**	**1,460,815**	**4,737**	**-361,342**	**1,104,951**	**-**	**1,104,951**

Netel Group Holding AB approved a new issue of A and B shares on 19 February 2021, which resulted in an increase in share capital from SEK 576,337 to SEK 591,373. The shares were issued during a reinvestment in connection with a completed acquisition and have not affected cash flow.

Netel Group Holding AB approved a new issue of A and B shares on 4 March 2021, which resulted in an increase in share capital from SEK 591,373 to SEK 602,855. The shares were issued during a reinvestment in connection with a completed acquisition and have not affected cash flow.

Netel Group Holding AB approved a new issue of A and B shares on 29 March 2021, which resulted in an increase in share capital from SEK 602,855 to SEK 623,967. The shares were issued during a reinvestment in connection with a completed acquisition and have not affected cash flow.

Netel Holding AB (publ) decided on a new issue of ordinary shares in connection with the listing of the Group on 15 October 2021, which resulted in an increase in share capital from SEK 654,415 to SEK 718,518. The issue took place in connection with the listing of the Group and totalled SEK 200,000,016. Direct issue costs were settled directly against equity.

Netel Holding AB (publ) approved a new issue of ordinary shares on 5 January 2022, which resulted in an increase in share capital from SEK 718,518 to SEK 728,331. The shares were issued during a reinvestment in connection with a completed acquisition and have not affected cash flow.

Netel Holding AB (publ) approved a new issue of ordinary shares on 10 March 2022, which resulted in an increase in share capital from SEK 728,331 to SEK 729,343. The shares were issued during a reinvestment in connection with a completed acquisition and have not affected cash flow.

Netel Holding AB (publ) approved a new issue of ordinary shares on 11 March 2022, which resulted in an increase in share capital from SEK 729,343 to SEK 730,724. The shares were issued during a reinvestment in connection with a completed acquisition and have not affected cash flow.

Netel Holding AB (publ) approved a new issue of ordinary shares on 6 May 2022, which resulted in an increase in share capital from SEK 730,724 to SEK 732,902. The shares were issued during a reinvestment in connection with a completed acquisition and have not affected cash flow.

Netel Holding AB (publ) approved a new issue of ordinary shares on 19 July 2022, which resulted in an increase in share capital from SEK 732,902 to SEK 737,415. The shares were issued during a reinvestment in connection with a completed acquisition and have not affected cash flow.

Netel Holding AB (publ) approved a new issue of ordinary shares on 17 August 2022, which resulted in an increase in share capital from SEK 737,415 to SEK 738,805. The shares were issued during a reinvestment in connection with a completed acquisition and have not affected cash flow.

Netel Holding AB (publ) approved a new issue of ordinary shares on 5 December 2022, which resulted in an increase in share capital from SEK 738,805 to SEK 741,670. The shares were issued during a reinvestment in connection with a completed acquisition and have not affected cash flow.

* In the third quarter of 2021, a restructuring of the Netel Group was carried out whereby Netel Holding AB (publ) became the new Parent Company of the Group instead of the former Parent Company Netel Group Holding AB. The consolidated accounts prepared for the new Parent Company are presented as a continuation of the consolidated accounts that were previously prepared by Netel Group Holding AB. An Extraordinary General Meeting on 20 August 2021 resolved to carry out an issue in kind, and consideration other than cash, in the form of about 81 per cent of the shares in Netel Group Holding AB, about 95 per cent of the shares in NTL Management AB and about 90 per cent of the shares in NTL Co-Invest AB, was provided to Netel Holding AB (publ). An Extraordinary General Meeting in August 2021 also resolved to carry out a share split whereby every 1 existing share was split into 65 shares. For the calculations of earnings per share, the number of shares has been corrected as if the share split took place at the beginning of the first period recognised in the financial statements. At the end of the third quarter of 2021, a non-controlling interest amounting to approximately 5 per cent of the capital remained in the Group due to this transaction. In connection with the Group's listing on the stock exchange on 15 October 2021, a share exchange took place on the basis of an issue in kind, whereby the non-controlling interest exchanged its shares for newly issued ordinary shares in Netel Holding AB (publ), after which no non-controlling interest exists in the Group since the end of the fourth quarter of 2021. The effects of this restructuring on equity are recognised on the line *Effect of Group restructuring* in the *Condensed consolidated statement of changes in equity*. A new share issue was also carried out in connection with the listing of the Group, which together with the issue in kind increased the number of ordinary shares outstanding to 46,703,671.

Condensed consolidated statement of cash flows

SEK millions	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Operating profit/loss	68	36	176	126
Reversal of non-cash items	17	17	62	43
Interest received	1	-	1	-
Interest paid	-8	-11	-22	-27
Tax paid	-13	-11	-39	-27
Cash flow from operating activities before changes in working capital	**64**	**32**	**177**	**114**
Changes in inventories	-1	0	1	-3
Changes in operating receivables	-89	65	-292	-56
Changes in operating liabilities	67	63	41	59
Cash flow from operating activities	**41**	**160**	**-72**	**114**
Acquisition of non-current assets	-8	-25	-20	-28
Acquisition of subsidiaries and businesses	-37	-0	-224	-153
Sale of non-current assets	6	-	6	-
Cash flow from investing activities	**-39**	**-26**	**-238**	**-181**
New share issue	-	193	-	193
Amortisation of lease liabilities	-12	-7	-48	-34
Proceeds from non-current loans and credits	219	223	462	475
Amortisation of non-current loans and credits	-10	-352	-13	-390
Cash flow from financing activities	**196**	**57**	**402**	**244**
Cash flow for the period	198	191	91	177
Cash and cash equivalents at the beginning of the period	170	77	271	90
Translation difference in cash and cach equivalents	1	4	6	5
Cash and cash equivalents at the end of the period	**369**	**271**	**369**	**271**

Notes to the financial statements in summary

Key accounting policies

This interim report covers the Swedish Parent Company Netel Holding AB (publ), Corp. Reg. No. 559327-6263, and its subsidiaries. The activities of the company and its subsidiaries (the "Group") include the provision of construction and maintenance infrastructure in Sweden, Norway, Finland, Germany and the UK, within the business areas of Fixed Networks, Power and Mobile. The Parent Company is a limited company with its registered office in Stockholm, Sweden. The address of the head office is Fågelviksvägen 9, SE-145 84 Stockholm.

Netel Holding AB (publ) applies International Financial Reporting Standards (IFRS) as adopted by the EU. The Group's interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable parts of the Annual Accounts Act (1995:1554). The interim report for the Parent Company has been prepared in accordance with Chapter 9 Interim Reports of the Annual Accounts Act and RFR 2 Reporting for Legal Entities. For the Group and the Parent Company, the same accounting policies, calculation bases and assessments have been applied as in the latest annual report for Netel Holding AB (publ). A more detailed description of the Group's applied accounting policies as well as new and future changes in standards can be found in the latest published annual report. For a complete description of the Group and the Parent Company's applied accounting policies, see Note 1 in the 2021 Annual Report.

In addition to the financial statements and their accompanying notes, disclosures pursuant to IAS 34 are provided in the interim information, which comprise an integral part of this financial report.

All amounts in this report are stated in millions of Swedish kronor (MSEK) unless otherwise stated. Differences in rounding off may occur.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The CODM is the function responsible for allocating resources and assessing the earnings of the operating segments. In the Group, this function has been identified as the Group CEO. An operating segment is a part of the Group that conducts activities from which it can generate revenue and incur costs and for which independent financial information is available. The Group's division into segments is based on the internal structure of the Group's business activities, which means that the Group's operations have been divided into five segments: *Sweden, Norway, Finland, Germany* and *the UK.* The UK was recognised as a segment for the first time in the third quarter of 2022 as a result of the Group's completed acquisitions (Border and Doocey) and only includes these new operations. As a result, there are no consequences for previously existing segments. Comparative figures have therefore not been restated.

The same accounting policies are used in the segments as for the Group. From the end of the fourth quarter of 2021, this means that the segments follow the Group's accounting policies with respect to leases according to IFRS 16. This is a change compared with prior periods for which leases according to IFRS 16, which are not allocated at segment level but are IFRS-adjusted at Group level. Consequently, the segment's leases were previously reported as if they were operating leases. Recognised earnings before interest, tax, depreciation and amortisation (EBITDA) for segments is affected as a result of leases being recognised with straight-line depreciation of the right-of-use asset over the useful life under IFRS 16. This also entails that the Group presents earnings before interest, tax and amortisation (EBITA) per segment. Comparative figures for comparable periods were restated and are presented in accordance with the Group's accounting policies.

Earnings per share

Earnings per share before dilution are calculated by dividing net profit attributable to holders of ordinary shares in the Parent Company by the weighted average number of outstanding ordinary shares during the year. Earnings per share after dilution are calculated by dividing net profit attributable to holders of ordinary shares in the Parent Company, adjusted where applicable, by the sum of the weighted average number of ordinary shares and potential ordinary shares that may give rise to a dilution effect. The dilution effect of potential ordinary shares is only reported if a recalculation of ordinary shares would lead to a decrease in earnings per share after dilution.

Estimates and assessments

The preparation of the interim report requires that company management makes assessments and estimates and makes assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, revenue and expenses. The actual outcome may differ from these estimates and assessments. The critical assessments and sources of uncertainty in estimates are the same as in the latest published annual report. See Note 1 in the 2021 Annual Report for more information on the Group's estimates and assessments.

Operating segments

For accounting and monitoring purposes, the Group has divided its operations into five operating segments based on how the Group CEO evaluates the Group's operations. The five operating segments comprise Sweden, Norway, Finland, Germany and the UK. The UK was recognised as a segment for the first time in the third quarter of 2022 as a result of the Group's completed acquisitions. The Group CEO primarily uses earnings before interest, tax and amortisation (EBITA) in assessing the performance of the operating segments. This is a change since the fourth quarter of 2021 when earnings before interest, tax, depreciation and amortisation (EBITDA) were used to assess the performance of the operating segments. Comparative figures for comparable periods were restated and are presented in accordance with the Group's accounting policies.

Other adjustments at Group level are included under Group-wide items and eliminations, for example, transaction costs and other Group-wide costs that are not allocated at segment level. Non-current assets include intangible assets (including goodwill), property, plant and equipment and right-of-use assets.

Oct-Dec 2022	**Sweden**	**Norway**	**Finland**	**Germany**	**United Kingdom**	**Total segments**	**Group-wide items and eliminations**	**Group total**
Revenue from external customers	481	327	89	66	23	987	-3	984
Revenue from other segments	-	-	-	-	-	-	-	-
Total revenue	**481**	**327**	**89**	**66**	**23**	**987**	**-3**	**984**
EBITA	**52**	**12**	**-6**	**8**	**1**	**68**	**0**	**69**
Non-current assets	**1,184**	**269**	**10**	**2**	**100**	**1,565**	**-**	**1,565**

Oct-Dec 2021	**Sweden**	**Norway**	**Finland**	**Germany**	**United Kingdom**	**Total segments**	**Group-wide items and eliminations**	**Group total**
Revenue from external customers	313	292	74	53	-	732	-15	717
Revenue from other segments	-	-	-	-	-	-	-	-
Total revenue	**313**	**292**	**74**	**53**	**-**	**732**	**-15**	**717**
EBITA	**33**	**47**	**2**	**10**	**-**	**91**	**-55**	**37**
Non-current assets	**877**	**242**	**7**	**2**	**-**	**1,128**	**-**	**1,128**

Jan-Dec 2022	Sweden	Norway	Finland	Germany	United Kingdom	Total segments	Group-wide items and eliminations	Group total
Revenue from external customers	1,433	1,179	291	213	47	3,163	-23	3,141
Revenue from other segments	-	-	-	-	-	-	-	-
Total revenue	**1,433**	**1,179**	**291**	**213**	**47**	**3,163**	**-23**	**3,141**
EBITA	**117**	**60**	**-12**	**24**	**6**	**196**	**-16**	**179**
Non-current assets	**1,184**	**269**	**10**	**2**	**100**	**1,565**	**-**	**1,565**

Jan-Dec 2021	Sweden	Norway	Finland	Germany	United Kingdom	Total segments	Group-wide items and eliminations	Group total
Revenue from external customers	970	1,048	270	145	-	2,433	-15	2,418
Revenue from other segments	-	-	-	-	-	-	-	-
Total revenue	**970**	**1,048**	**270**	**145**	**-**	**2,433**	**-15**	**2,418**
EBITA	**60**	**98**	**5**	**18**	**-**	**181**	**-54**	**127**
Non-current assets	**877**	**242**	**7**	**2**	**-**	**1,128**	**-**	**1,128**

Revenue from contracts with customers

Oct-Dec 2022	Sweden	Norway	Finland	Germany	United Kingdom	Group total
Business area						
Fixed networks	273	206	15	66	23	583
Power	139	81	59	-	-	279
Mobile	65	40	16	-	-	121
Group-wide						2
Revenue from contracts with customers	**476**	**327**	**89**	**66**	**23**	**984**
Type of service						
Framework agreement	172	233	52	23	22	503
Project	309	94	37	43	1	484
Group-wide						-3
Revenue from contracts with customers	**481**	**327**	**89**	**66**	**23**	**984**

Oct-Dec 2021	Sweden	Norway	Finland	Germany	United Kingdom	Group total
Business area						
Fixed networks	149	185	3	52	-	389
Power	96	64	54	-	-	214
Mobile	48	40	17	-	-	105
Group-wide						6
Revenue from contracts with customers	**292**	**289**	**74**	**52**	**-**	**714**
Type of service						
Framework agreement	110	216	51	24	-	401
Project	197	76	23	28	-	324
Group-wide						-9
Revenue from contracts with customers	**307**	**291**	**74**	**52**	**-**	**716**

Jan-Dec 2022	Sweden	Norway	Finland	Germany	United Kingdom	Group total
Business area						
Fixed networks	823	697	28	213	47	1,809
Power	401	341	210	-	-	952
Mobile	186	141	52	-	-	380
Group-wide						-0
Revenue from contracts with customers	**1,410**	**1,179**	**291**	**213**	**47**	**3,141**
Type of service						
Framework agreement	577	794	169	56	45	1,641
Project	855	386	122	157	3	1,523
Group-wide						-23
Revenue from contracts with customers	**1,433**	**1,179**	**291**	**213**	**47**	**3,141**

Jan-Dec 2021	Sweden	Norway	Finland	Germany	United Kingdom	Group total
Business area						
Fixed networks	512	596	6	145	-	1,259
Power	285	308	205	-	-	799
Mobile	157	141	59	-	-	357
Group-wide						-
Revenue from contracts with customers	**954**	**1,045**	**270**	**145**	**-**	**2,415**
Type of service						
Framework agreement	434	675	189	24	-	1,323
Project	535	373	81	121	-	1,110
Group-wide						-15
Revenue from contracts with customers	**970**	**1,048**	**270**	**145**	**-**	**2,418**

Financial instruments

The Group's financial instruments measured at fair value only refer to contingent considerations and fund holdings (see below). For other financial assets and liabilities, the carrying amounts are good approximations of the fair value.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The table below shows financial instruments measured at fair value, based on the classification of the fair value hierarchy. The different levels are defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 – Other observable input data for the asset or liability than quoted prices included in level 1, either direct (i.e. price quotes) or indirect (i.e. derived from price quotes).

Level 3 – Input data for the asset or liability that are not based on observable market data (i.e. unobservable input data).

Fund holdings

The Group holds funds included in the item Financial non-current assets. Fund holdings are measured at fair value by use of quoted prices in active markets for identical assets and are thus found in level 1 of the valuation hierarchy.

Contingent consideration

For some of the Group's business combinations, there are contingent considerations. The contingent considerations are dependent on the average EBITA for the business combinations over one to three years. The considerations will be settled in cash. The contingent considerations are included in the item Non-current non-interest-bearing liabilities in the amount of MSEK 173 (32). The contingent considerations are found in level 3 of the valuation hierarchy.

Other holdings and liabilities measured at fair value

The Group holds currency futures that are included in the item Current non-interest-bearing liabilities. These currency futures are measured at fair value through indirect calculations from underlying currencies, according to data received from the counterparty/bank, and thus are found in level 2 of the valuation hierarchy.

Fund holdings	**31 Dec 2022**	**31 Dec 2021**
Opening balance	**3**	**-**
Investments	1	3
Divestments	-	-
Change in value recognised through profit or loss	-	-
Translation difference	-	-
Closing balance	**5**	**3**

Contingent considiration	**31 Dec 2022**	**31 Dec 2021**
Opening balance	**32**	**-**
Acquisition of subsidiaries and businesses	146	32
Paid considirations	-5	-
Change in value recognised through profit or loss	-0	-
Translation difference	-	-
Closing balance	**173**	**32**

Other liabilities recognised at fair value	31 Dec 2022	31 Dec 2021
Opening balance	**0**	**-**
Changes in recognised liabilities	-0	-
Change in value recognised through profit or loss	-	0
Translation difference	-	-
Closing balance	**-**	**0**

Business combinations

On 3 January 2022, the Group acquired 100 per cent of the shares and votes in JR Markteknik AB and Täby Maskin & Uthyrning Entreprenad AB (“JR”). The acquisitions represent a key building block in Netel’s investment in the field of water and sewage, pipe laying and associated civil engineering works. JR’s total sales in 2021 amounted to approximately MSEK 212 with total EBIT of MSEK 21, and the company had 50 employees on the acquisition date. JR is included in the Sweden segment.

On 1 March 2022, the Group acquired 100 per cent of the shares and votes in Eltek Entreprenad Sverige AB and its subsidiary Eltek Kraft & Montage Sverige AB (“Eltek”), which broadens Netel’s offering within power with diversified services for handling higher voltages of up to 400 KV for transformer stations, for example. Eltek’s sales in 2021 amounted to approximately MSEK 37 with good profitability. Eltek has 13 employees and is included in the Sweden segment.

On 1 March 2022, the Group acquired 100 per cent of the shares and votes in Elcenter i Söderköping Aktiebolag (“Elcenter”), which strengthens Netel’s offering in power, including road lighting, solar cells and charging infrastructure. Elcenter’s sales in 2020/2021 (split financial year) amounted to approximately MSEK 30 with good profitability. Elcenter has 13 employees and is included in the Sweden segment.

On 1 May 2022, the Group acquired 100 per cent of the shares and votes in Karlskoga Mark AB ("KMAB"). The transaction means that Netel is strengthening its business in water and sewage, district heating and associated civil engineering works as well as broadening its geographic presence in Sweden. KMAB had sales of approximately MSEK 63 in 2021 with 12 employees and is part of the Sweden segment.

On 1 July 2022, the Group acquired 100 per cent of the shares and votes of the UK company Border Civils & Utilities Ltd (“Border”), meaning that Netel broadened its geographic presence by entering the growing UK infrastructure market. Border’s primary operations are within fibre and the company is also active in water and sewage as well as gas. Border’s net sales amounted to MSEK 36 in 2021. The company has 50 employees and is part of the new UK segment, whose external reporting began in conjunction with the third quarter of 2022.

On 1 August 2022, the Group acquired 100 per cent of the shares and votes of the UK company Doocey North East Ltd (“Doocey”), meaning that Netel is rapidly continuing its expansion in the growing UK fibre market. Doocey’s net sales amounted to about MSEK 82 in 2020/21. The company has 15 employees and is included in the UK segment.

On 1 November, the Group acquired all of the shares and votes in Swedish company Bredbyns Schakt AB (“Bredbyns”), meaning that Netel continued to expand its operations both geographically and operationally. Bredbyns’ net sales in 2021 amounted to approximately MSEK 57. The company has 27 employees and is included in the Sweden segment.

Acquired net assets at acquisition date	JR Fair value	Eltek Fair value	Elcenter Fair value	KMAB Fair value	Border Fair value	Doocey Fair value	Bredbyns Fair value	Total
Intangible assets	-	-	-	-	-	-	-	-
Property, plant and equipment	11	4	0	0	7	3	12	38
Right-of-use assets	-	-	-	-	-	-	-	-
Financial non-current assets	-	-	-	-	-	-	0	0
Deferred tax assets	-	-	-	-	-	-	-	-
Inventories	-	-	0	13	-	-	-	14
Accounts receivables and other receival	61	5	4	7	11	15	19	123
Cash and cash equivalents	17	5	5	3	13	1	14	60
Interest-bearing liabilities	-3	-3	-	-0	-	-	-5	-12
Lease liabilities	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-1	-1	-1	-2	-1	-3	-7
Accounts payable and other operating liabilities	-59	-3	-4	-20	-8	-8	-15	-116
Identified net assets	**27**	**8**	**6**	**4**	**23**	**11**	**22**	**100**
Goodwill	148	16	23	49	59	28	33	356
Total consideration	**175**	**24**	**29**	**53**	**82**	**39**	**55**	**456**
The consideration consists of								
Cash	95	13	17	24	42	21	42	252
Equity instruments	30	4	3	6	12	4	6	65
Contingent consideration	50	7	9	23	28	15	15	146
Vendor loan note	-	-	-	-	-	-	-	-
Total consideration	**175**	**24**	**29**	**53**	**82**	**39**	**63**	**464**

Impact of acquisitions on cash and cash equivalents	JR	Eltek	Elcenter	KMAB	Border	Doocey	Bredbyns	Total
Cash consideration paid	-95	-13	-17	-24	-42	-21	-42	-252
Cash and cash equivalents acquired	11	1	4	3	8	0	6	34
Total	**-84**	**-12**	**-13**	**-21**	**-34**	**-21**	**-36**	**-219**
Costs related to acquisitions	-3	-1	-1	-1	-3	-2	-2	-13
Total impact on cash and cash equivalents	**-86**	**-13**	**-14**	**-22**	**-36**	**-23**	**-37**	**-231**

For information on the contingent consideration, see the note on Financial instruments.

In connection with the acquisition of JR, goodwill of MSEK 148 arose in the form of a difference between the transferred consideration and the fair value of the acquired net assets. Goodwill mainly refers to human resources. Transaction costs related to the acquisition of JR amounted to MSEK 3. The transaction costs were recognised as an expense in profit or loss under Other external expenses.

In connection with the acquisition of Eltek, goodwill of MSEK 16 arose in the form of a difference between the transferred consideration and the fair value of the acquired net assets. Goodwill mainly refers to human resources. Transaction costs related to the acquisition of Eltek amounted to MSEK 1. The transaction costs were recognised as an expense in profit or loss under Other external expenses.

In connection with the acquisition of Elcenter, goodwill of MSEK 23 arose in the form of a difference between the transferred consideration and the fair value of the acquired net assets. Goodwill mainly refers to human resources. Transaction costs related to the acquisition of Elcenter amounted to MSEK 1. The transaction costs were recognised as an expense in profit or loss under Other external expenses.

In connection with the acquisition of KMAB, goodwill of MSEK 49 arose in the form of a difference between the transferred consideration and the fair value of the acquired net assets. Goodwill mainly refers to human resources. Transaction costs related to the acquisition of KMAB amounted to MSEK 1. The transaction costs were recognised as an expense in profit or loss under Other external expenses.

In connection with the acquisition of Border, goodwill of MSEK 59 arose in the form of a difference between the transferred consideration and the fair value of the acquired net assets. Goodwill mainly refers to human resources. Transaction costs related to the acquisition of Border amounted to MSEK 3. The transaction costs were recognised as an expense in profit or loss under Other external expenses.

In connection with the acquisition of Doocey, goodwill of MSEK 28 arose in the form of a difference between the transferred consideration and the fair value of the acquired net assets. Goodwill mainly refers to human resources. Transaction costs related to the acquisition of Doocey amounted to MSEK 2. The transaction costs were recognised as an expense in profit or loss under Other external expenses.

In connection with the acquisition of Bredbyns, goodwill of MSEK 33 arose in the form of a difference between the transferred consideration and the fair value of the acquired net assets. Goodwill mainly refers to human resources. Transaction costs related to the acquisition of Bredbyns amounted to MSEK 2. The transaction costs were recognised as an expense in profit or loss under Other external expenses.

During the year, these acquisitions contributed MSEK 489 to the Group’s revenue and MSEK 35 to the Group’s profit after tax. If the acquisitions had taken place on 1 January 2022, company management estimates that the Group’s revenue and earnings would have been positively impacted by MSEK 3,358 and MSEK 139 for the period.

Transactions with related parties

No significant changes took place during the year for the Group or the Parent Company in relationships or transactions with related parties compared to what has been described in Note 31 of the 2021 Annual report for Netel Holding AB (publ).

Management	31 Dec 2022	31 Dec 2021
Sales of goods and services	-	-
Purchase of goods and services	-	-
Interest income	-	-
Interest expenses	-	0
Receivables (closing)	-	-
Debt (closing)	-	-

Significant events after the balance sheet date

Stefan Ljunglin was appointed new Country Manager for Netel in Finland CEO of Netel OY, starting 1 February 2023. He is also a member of Group management.

On 20 January 2023, the acquisition of all shares in the Swedish company Elektrotjänst i Katrineholm Aktiebolag ("Elektrotjänst"), which means that Netel is entering a new, attractive customer segment and expanding its geographic presence within Power. The consideration was paid in cash and through an offset issue of 303,294 shares in Netel Holding. Elektrotjänst had sales of approximately MSEK 69 for the September 2021 – August 2022 financial year. The company has 34 employees and a strong order backlog for the years ahead, and will be included in the Sweden segment. Consolidation takes place from February 2023.

Other than the above, no significant changes have occurred regarding the Group's financial position or financial results after 31 December 2022.

Condensed income statement for the Parent Company

SEK millions	Oct-Dec		Jan-Dec	
	2022	2021	2022	2021
Operating income				
Net sales	5	10	20	10
Other operating income	-	-	-	-
Total revenue	**5**	**10**	**20**	**10**
Operating expenses				
Personnel costs	-9	-25	-17	-25
Other external expenses	-1	-23	-4	-23
Operatin profit (EBIT)	**-5**	**-38**	**-0**	**-38**
Net financial items	-2	1	4	1
Earnings after financial items	**-7**	**-37**	**4**	**-37**
Appropriations	40	-	40	-
Earnings before tax	**33**	**-37**	**44**	**-37**
Taxes	-1	-	-2	-
Earnings for the period	**33**	**-37**	**43**	**-37**

Condensed balance for the Parent Company

SEK millions	31 Dec 2022	31 Dec 2021
ASSETS		
Non-current assets		
Shares in subsidiaries	1,202	1,202
Financial non-current assets	4	7
Total non-current assets	**1,206**	**1,209**
Current assets		
Receivables from Group companies	1,054	655
Other current assets	-	2
Cash and cash equivalents	181	8
Total current assets	**1,234**	**664**
Total assets	**2,440**	**1,873**
EQUITY AND LIABILITIES		
Equity		
Share capital	1	1
Other equity	1,466	1,358
Total equity	**1,467**	**1,359**
Total untaxed reserves	**-**	**-**
Non-current interest-bearing liabilities	932	475
Non-current non-interest-bearing liabilities	5	4
Total non-current liabilities	**937**	**479**
Current interest-bearing liabilities	4	2
Current non-interest-bearing liabilities	33	33
Total current assets	**36**	**35**
Total equity and liabilities	**2,440**	**1,873**

The Board of Directors and the CEO assure that this year-end report provides a fair review of the Group's and the Parent Company's operations, financial position and results and describes the significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

Stockholm, 16 February 2023

Hans Petersson
Chairman

Ann-Sofi Danielsson
Board member

Alireza Etemad
Board member

Carl Jakobsson
Board member

Göran Lundgren
Board member

Nina Macpherson
Board member

Jeanette Reuterskiöld
Board member

Ove Bergkvist
CEO

This report is unaudited.

Selected financial information

Definitions and a reconciliation of alternative performance measures for Netel Holding AB (publ) are presented here in accordance with the guidelines from the European Securities and Markets Authority (ESMA) regarding the use of alternative performance measures. These guidelines require expanded disclosures regarding the financial measures not defined by IFRS. Alternative performance measures are measures showing historical or future financial results, financial position or cash flows that are not defined by IFRS. Netel Group uses alternative performance measures to monitor and describe the Group's financial position and to provide additional useful information where relevant for the user's understanding of the financial statements. These performance measures are not directly comparable with similar performance measures used by other companies. The performance measures stated below are presented in the interim report.

Alternative performance measures not defined under IFRS

	Oct-Dec		Jan-Dec	
SEK millions	**2022**	**2021**	**2022**	**2021**
Net sales growth (%)	37.2%	24.6%	29.9%	31.1%
Organic sales growth (%)	12.6%	-1.8%	7.5%	7.1%
EBITDA	85	54	241	170
EBITDA margin (%)	8.7%	7.6%	7.7%	7.0%
EBITA	69	37	179	127
EBITA margin (%)	7.0%	5.1%	5.7%	5.2%
Items affecting comparability	6	29	21	50
Adjusted EBITDA	92	84	262	220
Adjusted EBITDA margin (%)	9.3%	11.7%	8.3%	9.1%
Adjusted EBITA	75	66	200	177
Adjusted EBITA margin (%)	7.6%	9.2%	6.4%	7.3%
Net debt	722	318	722	318
Net debt/Adjusted EBITDA R12 (Ratio)	2.8	1.4	2.8	1.4
Equity ratio (%)	35.4%	42.7%	35.4%	42.7%
Order backlog	3,700	3,488	3,700	3,488

Reconciliation of growth in net sales

	Oct-Dec		Jan-Dec	
SEK millions	**2022**	**2021**	**2022**	**2021**
Net sales previous period	717	575	2,418	1,845
Acquired net sales	177	152	541	441
Organic net sales	807	565	2,600	1,977
Total net sales growth (%)	37.2%	24.6%	29.9%	31.1%
Organic net sales growth (%)	12.6%	-1.8%	7.5%	7.1%

Reconciliation of EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin

SEK millions	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Net sales	984	717	3,141	2,418
Operating profit/loss (EBIT)	68	36	176	126
Depreciation and amortisation of tangible and intangible assets	18	19	65	44
EBITDA	85	54	241	170
EBITDA margin (%)	8.7%	7.6%	7.7%	7.0%
Items affecting comparability				
Listing-related costs	-	27	-	37
Acquisition-related costs	3	-0	17	8
Other items affecting comparability	3	2	3	5
Total items affecting comparability	6	29	21	50
Adjusted EBITDA	92	84	262	220
Adjusted EBITDA margin (%)	9.3%	11.7%	8.3%	9.1%

Reconciliation of EBITA, EBITA margin, adjusted EBITA and adjusted EBITA margin

SEK millions	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Net sales	984	717	3,141	2,418
Operating profit/loss (EBIT)	68	36	176	126
Depreciation and amortisation of intangible assets	1	1	3	1
EBITA	69	37	179	127
EBITA margin (%)	7.0%	5.1%	5.7%	5.2%
Items affecting comparability				
Listing-related costs	-	27	-	37
Acquisition-related costs	3	-0	17	8
Other items affecting comparability	3	2	3	5
Total items affecting comparability	6	29	21	50
Adjusted EBITA	75	66	200	177
Adjusted EBITA margin (%)	7.6%	9.2%	6.4%	7.3%

Reconciliation of net debt and net debt/adjusted EBITDA R12M (Ratio)

SEK millions	31 Dec 2022	31 Dec 2021
Non-current interest-bearing liabilities	1,037	554
Current interest-bearing liabilities	53	35
Total interest-bearing liabilities	1,090	589
Cash and cash equivalents	369	271
Net debt	**722**	**318**
Adjusted EBITDA R12	262	220
Net debt/Adjusted EBITDA R12 (Ratio)	**2.8**	**1.4**

Reconciliation of equity ratio

SEK millions	31 Dec 2022	31 Dec 2021
Total equity	1,105	911
Total assets	3,119	2,133
Equity ratio (%)	**35.4%**	**42.7%**

Definitions and reasons for use

Key performance indicators	Definition	Reason for use
EBITA*	EBIT before amortisation of intangible assets	EBITA is used to analyse the profitability generated by the underlying operations
EBITA margin*	EBITA as a percentage of net sales	The EBITA margin is used to illustrate the underlying operations' profitability
EBITDA*	Earnings before interest, taxes, depreciation and amortisation.	EBITDA is used to analyse the profitability generated by the underlying operations
EBITDA margin*	EBITDA as a percentage of net sales	The EBITDA margin is used to illustrate the underlying operations' profitability
Adjusted EBITA*	EBIT before amortisation of intangible assets, adjusted for items affecting comparability	Adjusted EBITA is used to analyse the profitability generated by the underlying operations
Adjusted EBITA margin*	Adjusted EBITA as a percentage of net sales	The adjusted EBITA margin is used to illustrate the underlying operations' underlying profitability
Adjusted EBITDA*	Earnings before interest, taxes, depreciation and amortisation, adjusted for items affecting comparability	Adjusted EBITDA is used to analyse the underlying profitability generated by the underlying operations
Adjusted EBITDA margin*	Adjusted EBITDA as a percentage of net sales	The adjusted EBITDA margin is used to illustrate the underlying operations' underlying profitability
Items affecting comparability*	Items affecting comparability are revenue and expenses of a non-recurring character such as capital gains from divestments, transaction costs in connection with M&As or capital raises, external costs in conjunction with IPO preparations, larger integration costs for acquisitions or planned reconstructions, and expenses following strategic decisions and major reconstructions that result in a discontinuation of operations	Items affecting comparability are used to highlight the income items that are not included in the operating activities to create a clear view of the underlying earnings trend
Cash flow from operating activities	Cash flow attributable to the company's main income-generating operations and operations other than investing activities and financing activities	The measure is a performance measure defined by IFRS
Net sales	The total of sales proceeds from goods and services less discounts provided, VAT and other tax related to the sale	The measure is a performance measure defined by IFRS

Organic growth*	Sales growth excluding material acquisitions in the last 12 months	The measure shows the size of the company's total growth that is organic growth
Order backlog	The remaining order value on the balance sheet date for contracted projects and estimated future volumes from framework agreements	Used to show contracted future net sales attributable to projects
Profit/loss before tax	Profit/loss for the period before tax	The measure is a performance measure defined by IFRS
Earnings per share (SEK)	Earnings per share before and after dilution attributable to holders of ordinary shares in the Parent Company	The measure (before and after dilution) is a performance measure defined by IFRS
Net debt*	Interest-bearing liabilities (current and non-current) less cash and cash equivalents	The measure shows the size of the company's total assets financed via financial liabilities, taking into account cash and cash equivalents and is a component in assessing financial risk
Equity ratio*	Equity as a percentage of total assets	The measure shows the share of the company's total assets financed by the shareholders through equity

* The KPI is an alternative performance measure according to ESMA's guidelines

Webcast presentation and teleconference

Ove Bergkvist, President and CEO, and Peter Andersson, CFO, will present the interim report on Thursday, 16 February at 9:00 a.m. (CET) in a webcast. Questions may be asked both online and by phone. Presentation material is also available at https://netelgroup.com/en/investors/reports-and-presentations/. The presentation will be held in English.

If you want to participate through the webcast, use the link https://ir.financialhearings.com/netel-group-q4-2022. It will be possible to submit written questions during the webcast. If you want to ask questions orally via teleconference, please register through the link https://conference.financialhearings.com/teleconference/?id=5003807. After registration, you will receive a telephone number and ID to log in to the conference. It will be possible to ask questions orally during the teleconference.

Financial information

This report, previous interim reports and annual reports are available at https://netelgroup.com/en/investors/reports-and-presentations/

Calendar

Annual and Sustainability Report 2022	Week beginning 3 April
First quarter 2023	4 May
Annual General Meeting, Stockholm	4 May
Second quarter 2023	14 July
Third quarter 2023	8 November
Fourth quarter 2023	16 February 2024

This information is such that Netel Holding AB (Publ) is obliged to make public in accordance with the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons below, on 16 February 2023 at 7:30 a.m. CET.

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Netel Group in brief

Netel is a leading specialist in critical infrastructure projects in Northern Europe. We have more than 20 years of experience in carrying out projects, service and maintenance for the largest industry players in power, telecom, district heating, and water and sewage. We have a clear strategy for organic growth and acquisitions based on an effective business model that features decentralisation, low tied-up capital and high cash conversion. Our operations include a strong sustainability approach with intense responsibility for the environment and work environment. Read more at www.netelgroup.com.

FOUNDED IN	EMPLOYEES	NET SALES IN 2022	ADJUSTED EBITA IN 2022
2000	809	3,141 MSEK	200 MSEK

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